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Oilseeds and Products

Annual

2007

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Report Highlights:
Normal weather conditions in 2007 will result in the production of over 8.0 million metric tons (MMT) of the major oilseeds for the second year in a row, sunflower, rapeseed, and soybeans. A slight decrease in the production of sunflower seed will be offset by increased production of soybeans and rapeseed. Feed meal production will increase to 3.2 MMT from 3.1 MMT in MY 2006. All three major oilseeds crops will add to the production of feed meal. Expected high domestic demand in meal will push export volumes of sunflower seed meal down somewhat, and domestic consumption will increase by over 1.0 MMT. Vegetable oil production will continue to increase, and is forecast to reach 2.8 MMT, up 80,000 metric tons from the previous year. In MY 2006, exports of vegetable oil are expected to exceed imports for the first time in a decade. This trade surplus is forecast to increase in MY 2007 as a result of rapeseed exports for bio-fuel production in Europe.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
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Table of Contents

Executive Summary

Normal weather conditions in 2007 will result in the production of over 8.0 million metric tons (MMT) of the major oilseeds (sunflower seed, soybeans and rapeseed) for the second year in a row. A slight decrease in the production of sunflower seed will be offset by increased production of soybeans and rapeseed. Sunflower seeds remain the dominant oilseed crop in Russia, and accounts for 83 percent of the total oilseeds produced. Continuous improvement in planting seeds and agronomy practices are responsible for the optimistic forecast. Crop rotation improved, and while the total area sown to sunflower seed may decrease, yields are expected to be more stable than they were 3-4 years ago. Increasing domestic demand for protein feed will encourage soybean production, especially in southern European Russia. Foreign demand for bio-fuel will stimulate an increase in rapeseed production, although domestic consumption of rapeseed products are not expected to increase dramatically.

Feed meal production will increase to 3.2 MMT from 3.1 MMT in market year (MY) 2006. All three major oilseeds crops will add to the production of feed meal. Expected high domestic demand in meal will push export volumes of sunflower seed meal down somewhat, and domestic consumption will increase by over 1.0 MMT. Despite this, total exports of feed meal will be higher than imports by more than 100,000 MT. For many poultry and dairy farms in Russia, imported meal is cheaper than domestically produced meal, and is easier to procure. Meal production is concentrated in the southern regions of Russia, and transportation is expensive. In many cases, meal is produced by large crushing companies that have stable foreign markets, and these companies find it easier to export their products than to sell it on the domestic market. In addition, various phytosanitary and veterinary certificates are required for oilseed sales between different administrative regions in Russia, and this opaque and cumbersome system can make foreign markets an even more attractive option.

Vegetable oil production will continue to increase, and is forecast to reach 2.8 MMT, up 80,000 MT (MT) from the previous year. Imports of vegetable oil will be 650,000 MT, down 15,000 MT from the previous year. In MY 2006, exports of vegetable oil are expected to exceed imports for the first time in a decade. This trade surplus is forecast to increase in MY 2007 as a result of rapeseed exports for bio-fuel production in Europe.

TOTAL OILSEEDS

Production

Given normal weather conditions in 2007, the total production of the main oilseed crops (sunflower seed, soybeans, and rapeseed) will exceed 8.0 MMT for the second year in a row. Competition for arable land in spring 2007 is more intense than in 2006, and good survival of winter grains will not increase the area sown to sunflower seeds. Thus, the total area sown to sunflowers is forecast at 6.0 million hectares, 170,000 hectares less than in 2006. However, improved seeds and concentrated production on farms with better agronomic practices will improve yields. Sunflower seed production will be only 50,000 MT lower than in 2006. Given that oilseeds production is reported only in bunker weight, dryer weather may decrease reported yields, but will improve oil content of seeds, while rainy weather may increase production weight but decrease the vegetable oil content of the crop. Improved placement of sunflower seed in the crop rotation systems will make sunflower seed production more stable, although the total area sown will decrease.

Some decrease in sunflower seed production will be compensated by increased production of soybeans and rapeseeds, although sunflower seeds will remain the dominant oilseed crop in

Russia with an 83 percent share of the total crop. Increasing demand for protein feeds will be the main incentive for increased soybean production, especially in southern Russia. Area sown to soybeans will increase to 900,000 hectares. However this increase in sown area will not be mirrored by any improvement in soil fertility or yields in the added areas, and the forecast increase in soybean production will be smaller than the increase in sown area.

Foreign demand for bio-fuel will stimulate an additional increase in area sown to rapeseeds by 11 percent to 570,000 hectares. Production will increase by 8 percent to 565,000 MT. Russian officials have declared plans for an even larger increase in rapeseed production. However, only large-scale farmers have access to the big crushing companies with established contacts in the European bio-fuel market. Mid-size farmers will keep to traditional crops, and in 2007 will most likely consider rapeseed production for bio-fuel a risky business. The expenses associated with the production, storing and transportation of rapeseeds are high.

Table 1. Consolidated PSD for Major Oilseeds (Sunflower seeds, Soybeans, Rapeseed), 1,000 Hectares, 1,000 MT.

Russian Federation	Revised	Estimate	Forecast
	MY 2005*	MY 2006*	MY 2007*
Area Planted	6,325	7,532	7,470
Area Harvested	6,300	7,195	7,200
Beginning Stocks	233	280	268
Production	7,442	8,015	8,045
MY Imports	14	11	10
MY Imp. from U.S.	0	0	0
MY Imp. from EU	0	0	0
Total Supply	7,689	8,306	8,323
MY Exports	466	363	385
MY Exp. to EU	263	260	190
Crush	6,510	7,100	7,235
Food Use Dom. Cons.	200	200	220
Feed Waste Dom. Cons.	233	375	380
Total Dom. Cons.	6,943	7,675	7,835
Ending Stocks	280	268	103
Total Distribution	7,689	8,306	8,323

*Marketing years for sunflowerseeds and soybeans are September-August, and marketing year for rapeseeds is July-June

Source: Based on PSD tables for each crop

A Final Review of 2006 Production

Oilseeds production grew in Russia in 2005 and 2006. This increase was due primarily to increased sown area and good weather, although experts report that in 2007, the oil content of sunflower seeds, the main oilseeds crop in Russia, was lower due to high moisture levels in the crop (Russia reports oilseed production in bunker weight only). Agronomic practices

also improved in areas with a favorable climate and soil. The most remarkable feature of the 2006 crop is the increased production and share of soybeans (from 9.6 percent in 2005 to 11.0 percent in 2006) and rapeseeds in the total oilseeds production (from 4.7 percent in 2005 to 7.7 percent in 2006). Yields in MT per planted hectare has decreased because less fertile land was included in the production of these crops.

Table 2. Oilseeds: Sown Area, Production, Yields, 2000-2006

Sown Area, 1,000 hectares							
Crop	2000	2001	2002	2003	2004	2005	2006 prelim.
Sunflower	4,629	3,821	4,117	5,337	4,848	5,546	6,169
Soybean	421	417	476	586	571	720	846
Rapeseed	232	134	145	230	251	244	512
Mustard	162	59	80	142	103	107	91
Flax	22	14	12	14	24	31	76
Other	19	3	8	28	14	12	11
TOTAL	5,485	4,448	4,838	6,337	5,813	6,660	7,705
Yields, MT per Planted Hectare							
Crop	2000	2001	2002	2003	2004	2005	2006 prelim.
Sunflower	0.85	0.70	0.89	0.91	0.99	1.16	1.09
Soybean	0.81	0.84	0.89	0.67	0.97	0.96	0.87
Rapeseed	0.64	0.84	0.79	0.83	1.10	1.24	1.02
Mustard	0.28	0.47	0.44	0.61	0.53	0.59	0.70
Flax	0.64	0.57	0.67	0.61	0.77	0.77	0.8
Other	1.05	0.47	0.65	0.51	0.74	NA	NA
TOTAL	0.82	0.72	0.88	0.88	0.98	1.13	1.07
Production, 1,000 MT							
Crop	2000	2001	2002	2003	2004	2005	2006 prelim.
Sunflower	3,915	2,685	3,684	4,871	4,801	6,441	6,753
Soybean	342	350	423	393	555	616	740
Rapeseed	148	113	115	192	276	303	522
Mustard	46	28	35	86	55	63	64
Flax	14	8	8	9	10	24	61
Other	20	1	5	14	20	83	89
TOTAL	4,485	3,185	4,271	5,565	5,717	7,530	8,229

Source: Federal Service of State Statistics (former State Statistical Committee) data and "AgroKhleb Bulletin" (SovEcon publication).

Note: Flax production and yields for 2005 and 2006 are Post estimates

Consumption

Russia's oilseed consumption will increase in MY 2007 by 2 percent to 7.84 MMT. Oilseed crush will reach 7.24 MMT, including 6.0 MMT of sunflower seeds, 750,000 MT of soybeans and 465,000 MT of rapeseeds. Big oilseed crushing companies dominate the Russian oilseed markets, and they continue to invest in expansion and modernization of processing facilities, although at a reduced pace. The largest investments in 2006 and 2007 will be the Bunge Company's oil extraction plant in Voronezh (scheduled to open before the end of 2007), with capacity to process almost 0.5 MMT of sunflower seeds per year. The Efko Company is also building a large oil-crushing plant in Belgorod oblast (neighbor of Voronezh oblast). By the end of 2007, and certainly by MY 2008, crushing capacity in the Black Earth Zone of European Russia will increase by another 1.0 MMT. The incentives for increase of oilseeds production in this zone will be high. Until these new facilities are put into operation, small extrusion pressers and small-scale oil crushing factories will operate to process the increased production. The crushing business is dominated by a few large companies, including "Yug Rusi", "Bunge", WJ, "Rusagro", "Efko", and less than half a dozen others. The total capacity of oil extraction plants in Russia in CY 2007 exceeds 8.0 MMT.

In MY 2007, oilseeds for domestic food use consumption (primarily sunflower seed) will increase by 20,000 MT to 220,000 MT. The feed, seed and waste portion of domestic consumption is forecast to increase to 380,000 MT from 375,000 MT in MY 2006. In this category, the seed portion will be stable, although the quality of plating seeds will continue to improve. Direct feed (as an addition to feed rations at smaller farms) will increase, while waste is forecast to decrease, as demand for oilseeds from the oil-crushing industry is growing.

Trade

Along with production growth, imports of oilseeds are shrinking. Total oilseed imports in MY 2007 are forecast at 10,000 MT (largely due to border trade in sunflower seeds). The possible construction of a soybean crushing plant in Kaliningrad oblast (a project of the company "Sodruzhestvo") may increase demand for imported soybeans. However, the real obstacles for soybean imports for processing on Russian territory are the opaque phytosanitary requirements and negative attitudes and/or restrictions on GMO soybeans.

High domestic demand for oilseeds from the oil-crushing industry and high export duties on all major oilseeds weakens incentives to export sunflower seeds, but exports of rapeseeds will result from high demand by European oil-crushers. Export of oilseeds is forecast at 385,000 MT (an increase of 22,000 MT from MY 2006), including 290,000 MT of sunflower seeds and 90,000 MT of rapeseeds.

Stocks

Ending stocks of oilseeds will decrease to 103,000 MT due to greater efficiency in the crushing process. Crushing companies are able to process their stocks in a timely fashion and have no need to maintain large inventories. The quality of oilseeds deteriorates rapidly and processors, the main stockholders of oilseeds, are uninterested in keeping high levels of stock through the end of marketing year. They prefer to use pre-harvest time to clean the storage area.

Marketing

The Russian Statistical Service does not collect oilseeds marketing data on an annual basis, but the proportion of direct oilseed sales to crushing plants continues to grow. After the

crises of 1998, crushers try to avoid direct pre-payment to farms for their crops, but contract-based direct sales of oilseeds are increasing.

Policy

Import tariffs on sunflower seed, rapeseed, and various other oilseeds remain at five percent of the customs value. Soybeans (HS numbers 1201 001 000 and 1201 009 000) and peanuts (HS numbers 1202 101 000, 1202 109 000 and 1202 200 000) are imported duty free. Value added tax (VAT) is 10 percent for all oilseeds. Duty free import of soybeans should decrease the price of soybeans, however, the economic effect of duty free soybeans is limited by the opaque phytosanitary requirements and unsettled GMO registration procedures.

Export duty on sunflower seeds is 20 percent of the customs value, but not less than 30 Euro per metric ton. Export duty on soybeans is also 20 percent of the value, but not less than 35 Euro per metric ton. Export duty on rapeseeds (HS numbers 1205 100 000, 1205 101 000, 1205 900 001, 1205 900 009) was lowered to 15 percent, but not less than 30 Euro per metric ton (see GAIN Report RS7017). Export duty on mustard is 10 percent of the customs value, but not less than 25 Euro per metric ton.

The numerous certificates and permits required for customs clearance of both imports and exports hamper foreign trade in oilseeds. A certificate of State seed inspection is needed for all trade of planting seeds. For exports and imports of all other oilseeds and grains (not intended for planting) customs require a certificate of quality. The VPSS division that replaced the Grain Inspectorate of Russia (GAIN report RS6035 and GAIN report RS7010) issues the certificates. All oilseeds are subject to phytosanitary control and need the appropriate certificates. If the oilseeds are imported for human consumption and food processing, a sanitary-epidemiological certificate is required. Imported soybeans intended for feed consumption and processing also require a veterinary certificate and registration for GMO products and feeds with GMO components.

The Ministry of Agriculture's emphasis on increasing domestic production of poultry and swine will not actually stimulate imports of high protein feed until more transparent procedures of quality certification, phytosanitary control and GMO registration are established by the VPSS.

Import tariffs on vegetable oils vary depending on the type of oil and are outlined in the oils section of this report.

Sunflower Seed

The area sown to sunflower seeds is forecast to decrease by 170,000 hectares due to higher competition with some spring grains, particularly corn and soybeans. Given normal weather conditions, further improvements in agronomy on the decreased area will improve yields, and production levels will remain similar to those in MY 2006. Exports of sunflower seeds will not exceed 290,000 MT, approximately 10,000 MT more than in MY 2006. From September 2006 through March 2007, Russia exported 131,000 MT of sunflower seeds, less than 45 percent of the sunflower seeds exported during the same period a year ago. An optimistic estimate for Russian sunflower seed exports for MY 2006 is 280,000 MT, still a significant decrease from MY 2005. Growth of domestic crushing will continue, although at slower pace than in MY 2006, and will exceed 6.0 MMT. Ending stocks are forecast to decrease to 76,000 MT, in part because processors are not holding large ending stocks of oilseeds.

Table 3. PSD, Sunflower Seed, 1,000 MT, 1,000 Hectares

Country	Russian Federation									
Commodity	Oilseed, Sunflower seed						(1000 HA)(1000 MT)			
	2005	Revised		2006	Estimate		2007	Forecast		UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		09/2005	09/2005		09/2006	09/2006		09/2007	09/2007	MM/YYYY
Area Planted	5400	4860	5400	5800	0	6170	0	0	6000	(1000 HA)
Area Harvested	5400	4710	5400	5800	0	5900	0	0	5800	(1000 HA)
Beginning Stocks	194	60	194	246	20	246	250	0	246	(1000 MT)
Production	6450	4750	6450	6700	0	6750	0	0	6700	(1000 MT)
MY Imports	12	10	12	10	0	10	0	0	10	(1000 MT)
MY Imp. from U.S.	0	0	0	0	0	0	0	0	0	(1000 MT)
MY Imp. from EU	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Supply	6656	4820	6656	6956	20	7006	250	0	6956	(1000 MT)
MY Exports	400	30	400	375	0	280	0	0	290	(1000 MT)
MY Exp. to EU	200	10	200	200	0	180	0	0	190	(1000 MT)
Crush	5610	4450	5610	5780	0	5930	0	0	6020	(1000 MT)
Food Use Dom. Cons.	200	200	200	200	0	200	0	0	220	(1000 MT)
Feed Waste Dom. Cons.	200	120	200	351	0	350	0	0	350	(1000 MT)
Total Dom. Cons.	6010	4770	6010	6331	0	6480	0	0	6590	(1000 MT)
Ending Stocks	246	20	246	250	0	246	0	0	76	(1000 MT)
Total Distribution	6656	4820	6656	6956	0	7006	0	0	6956	(1000 MT)

Table 4. Sunflower Seed: Area, Yields, and Production by Regions

	2000	2001	2002	2003	2004	2005	2006 (prelim.)
PLANTED AREA, thousand hectares							
Russia	4,627	3,821	4,117	5,327	4,848	5,546	6,169
Voronezh	347	325	349	431	403	437	453
Volgograd	461	412	447	642	532	658	740
Saratov	484	431	448	536	445	589	719
Krasnodar	400	352	424	567	475	574	546
Stavropol	447	207	223	280	247	274	312
Rostov	1,019	794	809	1,086	1,024	1,164	1,328
Orenburg	256	221	241	265	265	350	431
Altay kray	320	188	236	336	338	361	454
Other	893	891	940	1,184	1,119	1,139	1,186
YIELD, MT per 1 hectare of harvested area							
Russia	0.85	0.78	0.97	0.10	1.02	1.19	1.14
Voronezh	1.04	0.91	1.07	1.21	1.01	1.25	1.29
Volgograd	0.74	0.60	0.81	0.88	0.92	1.04	0.96
Saratov	0.54	0.50	0.56	0.72	0.89	0.90	0.87
Krasnodar	1.55	1.37	1.77	1.49	1.76	2.03	2.09
Stavropol	0.66	0.95	1.15	0.98	1.37	1.58	1.45
Rostov	0.99	0.87	1.19	1.22	1.17	1.37	1.33

Orenburg	0.71	0.49	0.56	0.74	0.70	0.80	0.72
Altay kray	0.47	0.56	0.51	0.54	0.38	0.49	0.52
Other	0.99	0.64	0.72	0.74	NA	NA	NA
PRODUCTION, thousand MT							
Russia	3,911	2,685	3,684	4,868	4,801	6,441	6,753
Voronezh	359	287	353	492	396	537	540
Volgograd	341	209	309	492	480	673	684
Saratov	259	207	241	378	395	528	622
Krasnodar	622	469	732	798	822	1,153	1,137
Stavropol	225	151	249	265	331	427	430
Rostov	888	579	882	1,193	1,187	1,585	1,715
Orenburg	184	104	126	195	220	269	300
Altay kray	152	101	114	157	121	160	232
Other	881	578	678	898	1,919	1,109	1,093

Source: Data from the Federal Statistical Service and “SovEcon” company

Table 5. Export Trade Matrix, Sunflower Seed, 1,000 MT

Export Trade Matrix			
Country	Russian Federation		
Commodity	Oilseed, Sunflower seed		
Time Period	Sept/Aug	Units:	1,000 MT
Exports for:	2005		2006
U.S.		U.S.	
Others		Others	
Turkey	88	Spain	70
Kazakhstan	72	Italy	40
Italy	52	Kazakhstan	35
Netherlands	52	Greece	5
Spain	41		
Greece	37		
Morocco	18		
Portugal	13		
Israel	8		
Syria	6		
Total for Others	387		150
Others not Listed	13		130
Grand Total	400		280

Source: State Customs Committee of the Russian Federation

Exports of sunflower seeds for MY 2006 are estimated based on actual export volumes of sunflower seeds from September 2006 through March 2007. In this period, Russia exported over 148,000 MT of sunflowerseeds, including over 60,000 MT to Spain, 30,000 MT to Italy and 30,000 MT to Kazakhstan. Exports during March 2007 increased to 22,000 MT compared with 17,000 MT in February 2007.

Soybeans

Soybean production increased in 2006, and is forecast to grow further in 2007. Oblast and kray administrators in the Southern Federal District have devised incentives to further increase production. The governor of Belgorod oblast issued a resolution "On Stimulation of Soybean Production" to increase production of high protein feeds for the growing poultry, pork and dairy industries. Farms that specialize in the production of pork and poultry plan to increase the area sown to soybeans to 50,000 hectares in 2007. The oblast budget will subsidize part of the expenses of these farms, largely for plant protection chemicals.

In Priomorskiy kray (Far East), the traditional soybean producing area, agronomy is improving, and, according to regional reports, the quality and supply of soybean seeds is better this year than in 2006. In Krasnodar kray, the biggest soybean region after Primorskiy kray, growing demand in the poultry and dairy sectors also stimulates soybean production. Competition for productive land is very high in these regions, and considerable attention is paid to increasing yields at the expense of better agronomic practices and seed improvement.

According to official export and import customs data, trade in soybeans is non-existant. In MY 2006, Russia's imports of soybeans are estimated at slightly more than 1,000 MT. Imports of soybeans in MY 2007 are not forecast, as the present restrictive phytosanitary requirements and the tough GMO registration requirements[1], along with the nation-wide campaign against GMO soybeans make transparent imports of soybeans unlikely in the coming year.

Table 6. PSD, Soybeans, 1,000 MT, 1,000 Hectares

Country	Russian Federation									
Commodity	Oilseed, Soybean						(1000 HA)(1000 MT)			
	2005	Revised		2006	Estimate		2007	Forecast		UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		09/2005	09/2005		09/2006	09/2006		09/2007	09/2007	MM/YYYY
Area Planted	680	580	680	875	0	850	0	0	900	(1000 HA)
Area Harvested	656	530	656	850	0	815	0	0	850	(1000 HA)
Beginning Stocks	29	30	29	22	15	22	17	0	10	(1000 MT)
Production	689	520	689	900	0	740	0	0	780	(1000 MT)
MY Imports	2	20	2	2	0	1	0	0	0	(1000 MT)
MY Imp. from U.S.	0	0	0	0	0	0	0	0	0	(1000 MT)
MY Imp. from EU	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Supply	720	570	720	924	15	763	17	0	790	(1000 MT)
MY Exports	3	35	3	5	0	3	0	0	5	(1000 MT)
MY Exp. to EU	0	0	0	0	0	0	0	0	0	(1000 MT)
Crush	675	505	675	880	0	735	0	0	750	(1000 MT)
Food Use Dom. Cons.	0	0	0	0	0	0	0	0	0	(1000 MT)
Feed Waste Dom. Cons.	20	15	20	22	0	15	0	0	20	(1000 MT)

[1] Planting of any GMO crop is not allowed in Russia. Each shipment of feed and/or grain (soybeans) for feeding purposes must be accompanied by the appropriate veterinary certificates. The certificate states that if the feed contains GMO ingredients, the GMO line and the feed itself will be registered in Russia, and that the grain (soybeans) used in feeds will be deprived of their reproductive force and used only for processing. In order to avoid any hardships related to this requirement, traders prefer imports of soybean meal to imports of soybeans, although Russia does have facilities to crush soybeans.

Total Dom. Cons.	695	520	695	902	0	750	0	0	770	(1000 MT)
Ending Stocks	22	15	22	17	0	10	0	0	15	(1000 MT)
Total Distribution	720	570	720	924	0	763	0	0	790	(1000 MT)

Table 7. Soybeans: Area and production, by Regions

	2000	2001	2002	2003	2004	2005	2006 (prelim.)
PLANTED AREA, thousand hectares							
Russia, total	421	417	476	586	571	720	846
- including major producers:							
Amur oblast	n.a	206	240	283	253	290	310
Primorskiy kray	n.a	91	108	110	129	137	135
Krasnodar kray	n.a	44	59	102	92	140	175
PRODUCTION, thousand MT							
Russia, total	342	350	423	393	555	616	740
- including major producers:							
Amur Oblast	n.a	204	265	156	178	175	222
Primorskiy kray	n.a	68	23	69	114	118	123
Krasnodar kray	n.a	36	97	103	162	174	208

Source: Federal State Statistical Service

Rapeseed

Production of rapeseeds is forecast to increase by 40,000 MT to 565,000 MT. In 2006, rapeseeds production miraculously increased by over 73 percent. Area sown to winter rapeseeds in 2006 was 80,160 hectares, 5 percent less than in 2005. However, winterkill was significant, and winter rapeseed crop was only 126,600 MT, 11 percent less than in 2005. The area sown to spring rapeseed increased dramatically from 158,770 hectares to 432,030 hectares, and spring rapeseeds production increased correspondingly by 2.5 times to 395,500 MT.

Sources report that interest in rapeseed production in Russia is growing, and is fanned by the increasing demand for rapeseed oil in Europe. In several regions, crushing companies are adding facilities to increase rapeseeds crushing. The Tomsk company "Prod Expo," for example, is going to increase its crushing capacity particularly for rapeseeds. Rumors about an increase in crushing capacity are expected to entice farmers into increased rapeseed production. Tomsk's administration said that the area sown to rapeseeds is growing; it doubled in 2006, and reached 15,000 hectares. Rapeseed yield is 1.2 - 2.0 MT per hectare, and the production potential of Tomsk oblast in 2006 is estimated by the local administration at 18,000-30,000 MT. The administration "strongly advises" farmers to increase rapeseed area, as the oblast suffers from an oversupply of its traditional wheat crop. Project planners expect the oblast's rapeseed area to increase to 37,000 hectares in 2007, and that it will reach 125,000 hectares in 2009. Expected crop yield will be 45,000 MT and 150,000 MT, respectively. However, oil industry experts believe that the project will pay off only if the company is able to find an external markets for this oil as domestic demand is slight. It is not realistic to sell rapeseed oil in Siberia, as the food industry does not use it. Originally, rapeseed oil was used in feed and in the production of oil varnish. Company "Prod Expo" currently sells rapeseed oil to Denmark, and is planning to supply increased amounts of

rapeseed oil to Europe for bio-diesel. Group "Prod Expo" does not exclude the possibility of establishing its own bio-diesel production facility in a European country.

Table 8. PSD, Rapeseed, 1,000 MT, 1,000 Hectares

Country	Russian Federation									
Commodity	Oilseed, Rapeseed						(1000 HA)(1000 MT)			
	2005	Revised		2006	Estimate		2007	Forecast		UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		07/2005	07/2005		07/2006	07/2006		07/2007	07/2007	MM/YYYY
Area Planted	245	230	245	450	0	512	0	0	570	(1000 HA)
Area Harvested	244	200	244	420	0	480	0	0	550	(1000 HA)
Beginning Stocks	10	16	10	21	11	12	21	0	12	(1000 MT)
Production	303	220	303	530	0	525	0	0	565	(1000 MT)
MY Imports	0	0	0	0	0	0	0	0	0	(1000 MT)
MY Imp. from U.S.	0	0	0	0	0	0	0	0	0	(1000 MT)
MY Imp. from EU	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Supply	313	236	313	551	11	537	21	0	577	(1000 MT)
MY Exports	54	30	63	75	0	80	0	0	90	(1000 MT)
MY Exp. to EU	54	0	63	75	0	80	0	0	0	(1000 MT)
Crush	225	180	225	440	0	435	0	0	465	(1000 MT)
Food Use Dom. Cons.	0	0	0	0	0	0	0	0	0	(1000 MT)
Feed Waste Dom. Cons.	13	15	13	15	0	10	0	0	10	(1000 MT)
Total Dom. Cons.	238	195	238	455	0	445	0	0	475	(1000 MT)
Ending Stocks	21	11	12	21	0	12	0	0	12	(1000 MT)
Total Distribution	313	236	313	551	0	537	0	0	577	(1000 MT)

Table 9. Export Trade Matrix, 1,000 MT

Export Trade Matrix			
Country	Russian Federation		
Commodity	Oilseed, Rapeseed		
Time Period	Jul/Jun	Units:	1,000 MT
Exports for:	2005		2006
U.S.		U.S.	
Others		Others	
Germany	12	Estonia	15
Latvia	11	Germany	12
Lithuania	9	Latvia	12
Netherlands	8	Lithuania	9
Belgium	7	Netherlands	8
Finland	6	Belgium	7
Estonia	4	Finland	6
Denmark	3	Denmark	4
Switzerland	2	Switzerland	3
Total for Others	62		76
Others not Listed	1		4
Grand Total	63		80

Source: State Customs Committee of the Russian Federation

Exports of rapeseeds from July 2006 through March 2007 reached 75,000 MT. Exports to Estonia reached 12,500 MT. Shipments of rapeseeds to Estonia continued through March on a stable basis, and the total exports to this country may reach 15,000 MT. The list of rapeseed-importing countries remains stable, but trade volumes are increasing.

Peanuts

Russia does not produce peanuts, but imports approximately 100,000 MT annually for use in domestic food processing and snack industries. In MY 2005, Russian imports of peanuts totaled 95,000 MT, and the forecast for 2006 is 105,000 MT. China remains the main supplier of peanuts, although its share decreased from 79 percent in MY 2004 to less than 50 percent in MY 2005 and 2006. Brazil and Argentina have stepped in as major suppliers. Imports of peanuts from Uzbekistan and Tajikistan remain stable, and are not forecast to increase. Peanut imports from the U.S. are growing slowly as demand for higher quality products grow, and the US dollar/RUR exchange rate becomes more favorable.

Table 10. Peanuts: Import Trade Matrix, 1,000 MT

Import Trade Matrix			
Country	Russian Federation		
Commodity	Oilseed, Peanut		
Time Period	Oct/Sep	Units:	1,000 MT
Imports for:	2005		2006
U.S.	7	U.S.	10
Others		Others	
China	49	China	50
Argentina	15	Argentina	15
Uzbekistan	10	Uzbkistan	10
Brazil	8	Brazil	10
Tajikistan	5	Tajikistan	5
India	1		
Total for Others	88		90
Others not Listed	0		5
Grand Total	95		105

Source: State Customs Service

Other Oilseed Crops

Production of other oilseeds crop (mustard, flax, castor-oil plants, etc.) is not significant. Their share in total oilseeds production increased from 2.0 percent in 2005 to 2.6 percent in 2006. This production is dependent on farmers' access to niche markets, and large crushing companies do not usually invest in small oilseeds crops.

TOTAL MEAL

MY 2007 will see protein meal production continuing its increase, along with increased industrial crushing of oilseeds. Production will reach 3.2 MMT, 100,000 MT up from the previous year. The pace of growth will slow compared to MY 2006 and will correspond to overall oilseeds production increases. The development of the poultry and livestock industries has increased demand for protein feeds and expanded the Russian feed market, but vegetable oil still remains the main driving force for crushing.

While oil is primarily sold domestically, a significant portion of protein meal is exported. Exports of protein meal is forecast to decrease by 31,000 MT from record high exports of 967,000 MT in MY 2006, but will still comprise 29 percent of production (31 percent in MY 2006). Exports of sunflower seed meal will drop by 40,000 MT, but exports of rapeseed meal will increase by 10,000 MT. Russia's exports of soybean meal are relatively insignificant.

The total protein meal imports are forecast at 835,000 MT, an increase of 6 percent from the previous year. Soybean meal will account for 90 percent of all protein meal imports and are forecast to increase by 55,000 MT to 695,000 MT in MY 2006. Sunflower seed meal will decrease by 15,000 MT to 20,000 MT, and will be primarily limited to trade with Ukraine, Kazakhstan, and other neighboring countries.

Production

Production of sunflower seed meal will increase by 70,000 MT as a result of increased industrial crushing of sunflower seed, and an increase in extraction rates in the big crushing companies. Production of soybean meal will be up only by 10,000 MT, and rapeseed meal production is forecast to increase by 20,000 MT.

Table 11. Consolidated PSD for Major Oil Meals and Fish Meal, 1,000 MT

Russian Federation	MY 2005*	MY 2006*	MY 2007*
Market Year Begin	Revised	Preliminary	Forecast
Crush			
Extr. Rate, 999.9999			
Beginning Stocks	56	32	31
Production	2,835	3,105	3,205
MY Imports	701	790	835
MY Imp. from U.S.	29	35	70
MY Imp. from E.U.	210	205	190
Total Supply	3,592	3,927	4,071
MY Exports	867	967	936
MY Exp. to E.U.	29	55	0
Industrial Dom. Cons.	0	0	0
Food Use Dom. Cons.	0	0	0
Feed Waste Dom. Cons.	2,693	2,929	3,105
Total Dom. Cons.	2,693	2,929	3,105
Ending Stocks	32	31	30

Total Distribution	3,592	3,927	4,071

Source: Based on PSD tables for each type of feed meal

The marketing year for sunflower seeds and soybeans begin in September (see PSD for oilseed crops), the marketing year for rapeseed begins in July and the marketing year for fish meal begins in October.

Consumption

Total domestic consumption of protein feed will continue to increase, and will reach 3.1 MMT. The use of fish meal in feed consumption is decreasing, and accounts for just over 5 percent of total protein meal consumption. Increased demand from the domestic poultry, pork and dairy industry is driving the increase in overall consumption. This demand is further fueled by the allocation of federal funds for domestic livestock development. Because of high transportation costs, overhead, and bureaucratic issues (such as permits and certificates), imported soybean meal will remain the most in-demand meal, while large quantities of sunflower seed meal will be exported, or used only in regions close to the production and crushing facilities.

Trade and Stocks

Meal imports are expected to increase to 835,000 MT, including 750,000 MT of soybean meal. Argentina and the Netherlands will remain the predominant suppliers of soybean meal. Optimistic forecasts show direct imports of U.S. soybean meal increasing from 35,000 MT in MY 2006 to 70,000 MT in MY 2007. However, these forecasts must be tempered with the reality of GMO restrictions and veterinary and phytosanitary requirements that may limit direct imports from the U.S. Import volumes from European countries are also significant, and exporters from the E.U. often agree to meet all Russian phytosanitary requirements for soybean meal.

Total meal exports are forecast at 936,000 MT, with sunflower seed meal accounting 91 percent of the total. For MY 2007, sunflower seed meal exports are forecast at 850,000 MT, an amount 40,000 MT lower than in MY 2006. This decrease will be partially compensated by an increase in the export volume of rapeseed meal from 75,000 MT to 85,000 MT.

Ending stocks of protein meal are forecast at 30,000 MT, a level that remains unchanged for two years.

Policy

The import duty on soybean flour (HS number 1208 100 000) and other oilseed flours (HS number 1208 900 000) is set at 5 percent of the customs value. Exports are duty free. Phytosanitary certificates and veterinary certificates (if the flour is used for animal feed) are required. If this product is to be used for human consumption or in the food industry, then a sanitary-epidemiological certificate is required. Trade in soybean flour is small, and flour is imported primarily for food industry.

Fish meal (HS number 2301 20) and soybean meal intended for animal feed (HS number 2304 00 001) are imported duty free. Imports of these products are subject to veterinary and phytosanitary certification. Import permits for soybean meal are issued only if the veterinary certificate contains information regarding GMO, and is registered in Russia. Fish and soybean meals are exported duty free. Import duties on sunflower seed meal and

rapeseed meal are set at 5 percent of customs value. Like all other meals, sunflower seed meal and rapeseed meal may be exported duty free.

Sunflower Seed Meal

Table 12. PSD, Sunflower Seed Meal, 1,000 MT

Country	Russian Federation									
Commodity	Meal, Sunflowerseed						(1000 MT)(PERCENT)			
	2005	Revised		2006	Estimate		2007	Forecast		UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		09/2005	09/2005		09/2006	09/2006		09/2007	09/2007	MM/YYYY
Crush	5610	4450	5610	5780	0	5930	0	0	6020	(1000 MT)
Extr. Rate, 999.9999	0.371	0.391	0.371	0.370	0	0.366	0	0	0.372	(PERCENT)
Beginning Stocks	20	20	20	25	20	25	25	0	20	(1000 MT)
Production	2081	1740	2081	2140	0	2170	0	0	2240	(1000 MT)
MY Imports	38	45	38	35	0	35	0	0	20	(1000 MT)
MY Imp. from U.S.	0	0	0	0	0	0	0	0	0	(1000 MT)
MY Imp. from EU	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Supply	2139	1805	2139	2200	20	2230	25	0	2280	(1000 MT)
MY Exports	825	400	825	795	0	890	0	0	850	(1000 MT)
MY Exp. to EU	0	0	0	0	0	0	0	0	0	(1000 MT)
Industrial Dom. Cons.	0	0	0	0	0	0	0	0	0	(1000 MT)
Food Use Dom. Cons.	0	0	0	0	0	0	0	0	0	(1000 MT)
Feed Waste Dom. Cons.	1289	1385	1289	1380	0	1320	0	0	1410	(1000 MT)
Total Dom. Cons.	1289	1385	1289	1380	0	1320	0	0	1410	(1000 MT)
Ending Stocks	25	20	25	25	0	20	0	0	20	(1000 MT)
Total Distribution	2139	1805	2139	2200	0	2230	0	0	2280	(1000 MT)

Table 13. Export Trade Matrix, Sunflowerseed Meal, 1,000 MT

Export Trade Matrix			
Country	Russian Federation		
Commodity	Meal, Sunflowerseed		
Time Period	Sep/Aug	Units:	1,000 MT
Exports for:	2005		2006
U.S.		U.S.	
Others		Others	
Italy	242	Turkey	170
Turkey	142	Italy	150
Spain	135	Morocco	75
Egypt	64	Greece	50
Israel	49	Syria	45
Cyprus	44	UK	30
Greece	25	Cyprus	30
Morocco	23	Israel	30
Latvia	23	Latvia	15
Azerbaijan	20	Azerbaijan	15
Total for Others	767		610
Others not Listed	58		280

Grand Total	825		890

Source: State Customs Service of the Russian Federation.

From September–March 2007, actual exports of sunflower seed meal (HS number 2306 30) reached 600,000 MT. Exports to Italy amounted to 137,380 MT and exports to Turkey were 135,450 MT. Exports to Morocco in this period were 40,000 MT, Cyprus received 37,000 MT, and Greece imported 33,000 MT. The U.K. and Israel imported 28,000 MT of sunflower seed meal each, and Syria imported 27,000 MT. Altogether, shipments greater than 10,000 MT of sunflower seed meal were exporter from Russia to over 15 different countries. Starting in December 2006, monthly exports never dipped below 100,000 MT.

Soybean Meal

Table 14. PSD, Soybean Meal, 1,000 MT

Country	Russian Federation									
Commodity	Meal, Soybean						(1000 MT)(PERCENT)			
	2005	Revised		2006	Estimate		2007	Forecast		UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		09/2005	09/2005		09/2006	09/2006		09/2007	09/2007	MM/YYYY
Crush	675	505	675	880	0	735	0	0	750	(1000 MT)
Extr. Rate, 999.9999	0.785	0.758	0.785	0.785	0	0.789	0	0	0.787	(PERCENT)
Beginning Stocks	11	15	11	7	13	7	7	0	7	(1000 MT)
Production	530	383	530	691	0	580	0	0	590	(1000 MT)
MY Imports	607	365	607	675	0	695	0	0	750	(1000 MT)
MY Imp. from U.S.	29	0	29	50	0	35	0	0	70	(1000 MT)
MY Imp. from EU	196	0	196	150	0	185	0	0	190	(1000 MT)
Total Supply	1148	763	1148	1373	13	1282	7	0	1347	(1000 MT)
MY Exports	1	0	1	1	0	1	0	0	0	(1000 MT)
MY Exp. to EU	0	0	0	0	0	0	0	0	0	(1000 MT)
Industrial Dom. Cons.	0	0	0	0	0	0	0	0	0	(1000 MT)
Food Use Dom. Cons.	0	0	0	0	0	0	0	0	0	(1000 MT)
Feed Waste Dom. Cons.	1140	750	1140	1365	0	1274	0	0	1340	(1000 MT)
Total Dom. Cons.	1140	750	1140	1365	0	1274	0	0	1340	(1000 MT)
Ending Stocks	7	13	7	7	0	7	0	0	7	(1000 MT)
Total Distribution	1148	763	1148	1373	0	1282	0	0	1347	(1000 MT)

Table 15. Import Trade Matrix, Soybean Meal, 1,000 MT

Import Trade Matrix			
Country	Russian Federation		
Commodity	Meal, Soybean		
Time Period	Sep/Aug	Units:	1,000 MT
Imports for:	2005		2006
U.S.	29	U.S.	35
Others		Others	
Argentina	334	Netherlands	190
Netherlands	131	Argentina	180
Germany	51	Germany	95
Brazil	30	Lithuania	50

Belgium	8	Latvia	15
Kazakhstan	1	Belgium	13
		Denmark	8
Total for Others	555		551
Others not Listed	23		124
Grand Total	607		710

Source: State Customs Service of the Russian Federation

From September–March of MY 2006, Russia imported almost 460,000 MT of soybean meal, including 135,560 MT from the Netherlands, 132,630 MT from Argentina, 76,710 MT from Germany, over 50,000 MT from Brazil, and more than 33,000 MT from Lithuania.

Rapeseed Meal

Table 16. PSD Rapeseed Meal, 1,000 MT

Country	Russian Federation									
Commodity	Meal, Rapeseed						(1000 MT)(PERCENT)			
	2005	Revised		2006	Estimate		2007	Forecast		UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		07/2005	07/2005		07/2006	07/2006		07/2007	07/2007	MM/YYYY
Crush	225	180	225	440	0	435	0	0	465	(1000 MT)
Extr. Rate, 999.9999	0.596	0.5	0.596	0.595	0	0.597	0	0	0.602	(PERCENT)
Beginning Stocks	0	0	0	0	0	0	0	0	0	(1000 MT)
Production	134	90	134	262	0	260	0	0	280	(1000 MT)
MY Imports	0	0	0	0	0	0	0	0	0	(1000 MT)
MY Imp. from U.S.	0	0	0	0	0	0	0	0	0	(1000 MT)
MY Imp. from EU	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Supply	134	90	134	262	0	260	0	0	280	(1000 MT)
MY Exports	40	0	40	60	0	75	0	0	85	(1000 MT)
MY Exp. to EU	29	0	29	32	0	55	0	0	0	(1000 MT)
Industrial Dom. Cons.	0	0	0	0	0	0	0	0	0	(1000 MT)
Food Use Dom. Cons.	0	0	0	0	0	0	0	0	0	(1000 MT)
Feed Waste Dom. Cons.	94	90	94	202	0	185	0	0	195	(1000 MT)
Total Dom. Cons.	94	90	94	202	0	185	0	0	195	(1000 MT)
Ending Stocks	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Distribution	134	90	134	262	0	260	0	0	280	(1000 MT)

Table 17. Export Trade Matrix, Rapeseed Meal, 1,000 MT

Export Trade Matrix			
Country	Russian Federation		
Commodity	Meal, Rapeseed		
Time Period	Jul/Jun	Units:	1,000 MT
Exports for:	2005		2006
U.S.		U.S.	
Others		Others	

Estonia	18	Estonia	35
Spain	11	Israel	20
Turkey	8	Spain	13
Israel	2	Latvia	5
Lithuania	1		
Total for Others	40		73
Others not Listed			2
Grand Total	40		75

Source: State Customs Service of the Russian Federation

Export data for rapeseed meal and cake from January–March 2007 are not available, but from July–December 2006. Russia exported 56,300 MT of rapeseeds meal and cake. Almost 30,000 MT were exported to Estonia, 11,000 MT to Israel, and 11,000 MT to Spain, while over 3,000 MT of rapeseeds meal and cake were exported to Latvia.

Fish Meal

Table 18. PSD, Fish Meal , 1,000 MT

Country	Russian Federation									
Commodity	Meal, Fish						(1000 MT)(PERCENT)			
	2005	Revised		2006	Estimate		2007	Forecast		UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		10/2005	10/2005		10/2006	10/2006		10/2007	10/2007	MM/YYYY
Catch For Reduction	360	0	360	380	0	380	0	0	380	(1000 MT)
Extr. Rate, 999.9999	0.25	0	0.25	0.25	0	0.25	0	0	0.25	(PERCENT)
Beginning Stocks	25	0	25	0	0	0	9	0	4	(1000 MT)
Production	90	60	90	95	0	95	0	0	95	(1000 MT)
MY Imports	56	85	56	90	0	60	0	0	65	(1000 MT)
MY Imp. from U.S.	0	0	0	0	0	0	0	0	0	(1000 MT)
MY Imp. from EU	14	0	14	20	0	20	0	0	0	(1000 MT)
Total Supply	171	145	171	185	0	155	9	0	164	(1000 MT)
MY Exports	1	0	1	1	0	1	0	0	1	(1000 MT)
MY Exp. to EU	0	0	0	0	0	0	0	0	0	(1000 MT)
Industrial Dom. Cons.	0	0	0	0	0	0	0	0	0	(1000 MT)
Food Use Dom. Cons.	0	0	0	0	0	0	0	0	0	(1000 MT)
Feed Waste Dom. Cons.	170	145	170	175	0	150	0	0	160	(1000 MT)
Total Dom. Cons.	170	145	170	175	0	150	0	0	160	(1000 MT)
Ending Stocks	0	0	0	9	0	4	0	0	3	(1000 MT)
Total Distribution	171	145	171	185	0	155	0	0	164	(1000 MT)

TOTAL OILS

The total vegetable oil supply increased in MY 2006 by 4.5 percent to 3.69 MMT. Domestic oil production made up 73 percent of the total vegetable oil supply. This share is expected to increase to 74 percent in MY 2007, and the total supply of vegetable oil will increase to 3.75 MMT. Demand from vegetable oil processors increased, but at a slower rate than in MY 2004

and MY 2005. Although Russia still lags behind developed countries in per capital vegetable oil consumption, the growth in consumption of consumer packed vegetable oil and processed oil products has slowed. According to experts, the annual per capital consumption of liquid vegetable oil in Russia is 6-8 liters. By comparison, Europeans consume 17-18 liters each, and consumption in the US is even higher. Citizens in the cities consume more vegetable oil than rural residents, with the exception of Southern Russia, a major production area for sunflower seeds. The total consumer market for all vegetable oils is estimated at 1.15 MMT annually, and this market is growing by 1-2 percent per year.

Table 19. PSD, Main Vegetable Oils (Sunflowerseeds, Soybean, Rapeseeds, Palm Oil), 1,000 MT

Russian Federation	Revised	Prelim.	Forecast
	MY 2005*	MY 2006*	MY 2007*
Beginning Stocks	114	151	145
Production	2,529	2,691	2,770
MY Imports	706	665	650
MY Imports from U.S.	0	0	0
MY Imports from the EC	25	15	15
TOTAL SUPPLY	3,349	3,507	3,565
MY Exports	626	681	725
MY Exports to the EC	9	0	0
Industrial Dom.Consum	503	540	560
Food Use Dom. Consump.	2,049	2,111	2,105
Feed Waste Dom. Consumpt.	20	30	35
TOTAL Dom.Consumption	2,572	2,681	2,700
Ending Stocks	151	145	140
TOTAL DISTRIBUTION	3,349	3,507	3,565

*Marketing years for every vegetable oil are different.
Source: Prepared by Post based on individual PSDs for each type of vegetable oil (sunflower seed, soybean, rapeseeds, palm, olive, and other vegetable oils)

Table 20. Supply of Vegetable Oils (Stocks, Production, and Imports), MYs 2005-2007, 1,000 MT

	MY 2005*	MY 2006*	MY 2007*
Total Oil	3,530	3,688	3,746
including:			
Sunflowerseed oil	2,488	2,550	2,585
Soybean Oil	177	157	165
Rapeseed Oil	98	180	190
Palm Oil	586	620	625
Coconut	162	162	162
Olive Oil	10	10	10

Other fixed vegetable oil	9	9	9

Source: Calculated based on official production and import data of the State Statistical Service and the State Customs Service of the Russian Federation

Production

Vegetable oil production in MY 2007 is forecast to increase by 3 percent to 2.8 MMT, including 2.5 MMT of sunflower seed oil, 135,000 MT of soybean oil, and 185,000 MT of rapeseed oil. According to estimates, 39 percent of all vegetable oil production will result in refined vegetable oil. Production of vegetable oil is concentrated at the major crushing companies. Most of these companies are holdings that have crushing plants along with vegetable oil bottling and processing plants. Vegetable oil production has stabilized, and significant changes are expected only in rapeseeds. Rapeseed constituted 3.5 percent of total domestic vegetable oil production in MY 2005, while it is forecast to be 7 percent in MY 2007. However, most rapeseed oil is intended for export, and will not play a significant role in domestic consumption of vegetable oil.

Consumption

Vegetable oil consumption continues to increase, but at a slower rate than in MY 2004 and MY 2005. Industrial domestic consumption is growing faster than food use domestic consumption, and in MY 2007 food use domestic consumption is forecast to remain flat. Industrial domestic consumption, by contrast, will grow by 20,000 MT.

Margarine

In CY 2006 domestic production of margarine increase on a year-to-year bases by 5.4 percent to 677,000 MT, and although the rate of growth has slowed down, in January – March 2007 Russian industry produced 169,100 MT of margarine, 2 percent more than in the same period a year ago. Russian also slowly increases exports of margarine to the neighbor countries. In CY 2006 Russia exported 57,850 MT of margarine (26 percent increase from CY 2005), including exports to Kazakhstan were 25,616 MT, exports to Ukraine – 12,565 MT, Kyrgyzstan – 6,815 MT, Mongolia – 5,100 MT. Imports of margarine increased form 73,605 MT in CY 2005 to 80,775 MT in CY 2006, including imports form Ukraine were 16,540 MT, imports form Italy – 15,790 MT, Denmark – 12,155 MT, Belgium – 10,180 MT and United Kingdom – 9,115 MT. More than 1,000 MT were imported from each of the following countries: Netherlands, Germany, Bulgaria, Sweden, and Poland.

Mayonnaise

In CY 2006, mayonnaise production increased by 11 percent and reached 645,000 MT. From January–March 2007, Russian plants produced an additional 147,500 MT of mayonnaise. This represents an 8.5 percent increase in production from the same period a year ago.

Bottled Vegetable Oil

Experts estimate the size of bottled vegetable oil market in Russia at 730,000 – 750,000 MT. The leading brands in the bottled oil market have not changed significantly since last year. These brands include “Zolotaya selechka” (part of the Yug Rusi company), “Oleina” and “Ideal” (Bunge company), “Milora” (WJ Group), “Avedov” (Rusagro company) and “Sloboda” (Efko company). Although the major brand’s market share may change, the main players remain the same.

Trade

Total imports of vegetable oil (sunseeds, soybean, rapeseed and palm oils) are forecast to slightly decrease in MY 2007 to 650,000 from 665,000 MT in MY 2006. Official state customs data for January – March 2007 are not available, but the calendar year data show that imports of all vegetable oils to Russia in CY 2006 was 848,693 MT, 153,052 MT less than in CY 2005. Exports of vegetable oils from Russia did not equal imports, but increased by 2.5 times: from 300,457 MT to 737,900 MT. Vegetable oil exports are strengthening due to increased role of international companies in domestic crushing.

Stocks

In MY 2006, ending stocks of vegetable oil will decrease to 140,000 MT from 145,000 MT as a result of export growth and the relatively stable distribution of vegetable oil consumption throughout the year.

Policy

Vegetable oils are exported duty-free. Tariffs on imported vegetable oils vary. In general, import tariffs on vegetable oils for industrial processing are lower than tariffs on imports of vegetable oil for packaging and direct human consumption. The value added tax (VAT) on imported vegetable oils is 18 percent.

Table 21. Import Tariffs on Vegetable Oil and Vegetable Oil Products

HS Number	Name of product	Import tariff
1507 10 100 0	Soybean oil and its fractions, crude, for technical and industrial processing, except for production of food products	15%
1507 10 900 1 1507 90 900 1	- in primary packages net weight 10 liters or less	15%, but not less than Euro 0.14/kg
1507 10 900 9 1507 90 900 9	- other	15%, but not less than Euro 0.1/kg
1508 10 100 0	Peanut oil and its fractions, crude, for technical and industrial processing, except for production of food products	5%
1509	Olive oil and its fractions	10%
1510	Other oils and their fractions, obtained solely from olives, and fractions thereof	15%
1511	Palm oil, crude and refined	5%
1511 10 900 1	- - - in boxes, barrels, cans and bins, net-weight 200 kg or less	15 %, but not less than Euro 0.12/kg
1511 90 190 1	- - - in boxes, barrels, cans and bins, net-weight 200 kg or less	15 %, but not less than Euro 0.12/kg
1511 90 990 1	- - - in boxes, barrels, cans and bins, net-weight 200 kg or less	15 %, but not less than Euro 0.12/kg
1512	Sunflowerseed oil, safflower or cottonseed oil, and fractions thereof	15%
1512 11 910 1 1512 11 990 1 1512 19 900 1 1512 19 990 1	- in primary packages net weight 10 liters or less	15%, but not less than Euro 0.14/kg
1512 11 910 9 1512 11 990 9	- other	15%, but not less than Euro 0.1/kg

1512 19 910 9 1512 19 990 9		
1513	Coconut (copra) oil, palm kernel oil, and fractions thereof	5%
1514	Rapeseed, colza or mustard oil, and fractions thereof	15%
1514 11 900 1 1514 19 900 1 1514 91 900 1 1514 99 900 1	- in primary packages net weight 10 liters or less	15%, but not less than Euro 0.14/kg
1514 11 900 9 1514 19 900 9 1514 91 900 9 1514 99 900 9	- other	15%, but not less than Euro 0.1/kg
1515	Other fixed vegetable fats and oils and their fractions	5%
1516 20 910 0	- - - [vegetable oils and fats and their fractions, other] in primary packages net weight 1 kg or less	15 %, but not less than Euro 0.12/kg
1516 20 950 0	- - flax, rape (from rape or colza), sun seed, brassee, spider orchid, shea butter, macore, tulucuna or barbassu oils for technical or industrial purpose excluding products, used for consumption as food	20 %, but not less than Euro 0.2/kg
1516 20 960 9	- - - - other	20 %, but not less than Euro 0.2/kg
1516 20 980 0	- - - - other	20 %, but not less than Euro 0.2/kg
1517	Margarine, edible mix	
1517 10 100 0	- - containing over 10 mass percent, but not less than 15 mass percent of butter fat	20 %, but not less than Euro 0.2/kg
1517 10 900 0	- other	20 %, but not less than Euro 0.2/kg
1517 90 100 0	- - containing over 10 mass percent, but not less than 15 mass percent of butter fat	20 %, but not less than Euro 0.2/kg
1517 90 910 0	Not volatile vegetable oils, liquid, mixed	20 %, but not less than Euro 0.2/kg
1517 90 930 0	- - fit for consumption as food mixtures or ready products, used to lubricate forms	20 %, but not less than Euro 0.2/kg
1517 90 990 0	- - - - other	20 %, but not less than Euro 0.2/kg

Source: Customs Tariff of the Russian Federation, 2006

Marketing

The main problems with vegetable oil marketing relate to property rights and use of brand names. These disputes emerge from time to time, but as production concentrates in fewer, but stronger companies, brand conflicts are less apparent than they were before. The most conspicuous constraints in vegetable oil marketing are the GMO labeling requirements and the unclear regulations regarding the use of GMO products in food processing. Soybeans are the primary oilseed affected by these regulations. For more information on GMO labeling requirements, see GAIN reports RS7023 and RS7028.

Vegetable Oil Tables

Sunflowerseed Oil

Table 22. PSD, Sunflowerseed Oil, 1,000 MT

Country	Russian Federation									
Commodity	Oil, Sunflowerseed						(1000 MT)(PERCENT)			
	2005	Revised		2006	Estimate		2007	Forecast		UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		09/2005	09/2005		09/2006	09/2006		09/2007	09/2007	MM/YYYY
Crush	5610	4450	5610	5780	0	5930	0	0	6020	(1000 MT)
Extr. Rate, 999.9999	0.414	0.393	0.414	0.413	0	0.402	0	0	0.407	(PERCENT)
Beginning Stocks	55	45	55	95	0	95	85	0	85	(1000 MT)
Production	2320	1750	2320	2385	0	2385	0	0	2450	(1000 MT)
MY Imports	113	150	113	115	0	70	0	0	50	(1000 MT)
MY Imp. from U.S.	0	0	0	0	0	0	0	0	0	(1000 MT)
MY Imp. from EU	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Supply	2488	1945	2488	2595	0	2550	85	0	2585	(1000 MT)
MY Exports	616	190	616	610	0	615	0	0	630	(1000 MT)
MY Exp. to EU	0	0	0	0	0	0	0	0	0	(1000 MT)
Industrial Dom. Cons.	323	435	323	350	0	355	0	0	365	(1000 MT)
Food Use Dom. Cons.	1434	1290	1434	1515	0	1465	0	0	1470	(1000 MT)
Feed Waste Dom. Cons.	20	30	20	35	0	30	0	0	35	(1000 MT)
Total Dom. Cons.	1777	1755	1777	1900	0	1850	0	0	1870	(1000 MT)
Ending Stocks	95	0	95	85	0	85	0	0	85	(1000 MT)
Total Distribution	2488	1945	2488	2595	0	2550	0	0	2585	(1000 MT)

Table 23. Export Trade Matrix, Sunflowerseed Oil, 1,000 MT

Export Trade Matrix			
Country	Russian Federation		
Commodity	Oil, Sunflowerseed		
Time Period	Sep/Aug	Units:	1,000 MT
Exports for:	2005		2006
U.S.		U.S.	
Others		Others	
Turkey	121	Italy	70
Italy	69	Egypt	65
Spain	54	Iran	30
Egypt	51	India	30
Greece	50	Greece	20
France	36	Georgia	15
Kazakhstan	30	Spain	10
Croatia	25	Turkey	10
Arab Emirates	19		
Algeria	19		
Total for Others	474		250
Others not Listed	141		380

Grand Total	615		630

Table 24. Import Trade Matrix, Sunflowerseed Oil, 1,000 MT

Import Trade Matrix			
Country	Russian Federation		
Commodity	Oil, Sunflowerseed		
Time Period	Sep/Aug	Units:	1,000 MT
Imports for:	2005		2006
U.S.		U.S.	
Others		Others	
Ukraine	96	Ukraine	60
Romania	9		
Moldova	6		
Argentina	2		
Total for Others	113		60
Others not Listed			10
Grand Total	113		70

Soybean Oil

Table 25. PSD, Soybean Oil, 1,000 MT

Country	**Russian Federation**									
Commodity	**Oil, Soybean**						(1000 MT)(PERCENT)			
	2005	Revised		2006	Estimate		2007	Forecast		UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		09/2005	09/2005		09/2006	09/2006		09/2007	09/2007	MM/YYYY
Crush	675	505	675	880	0	735	0	0	750	(1000 MT)
Extr. Rate, 999.9999	0.178	0.149	0.178	0.178	0	0.178	0	0	0.18	(PERCENT)
Beginning Stocks	11	10	11	1	10	1	6	0	0	(1000 MT)
Production	120	75	120	157	0	131	0	0	135	(1000 MT)
MY Imports	46	70	46	35	0	25	0	0	30	(1000 MT)
MY Imp. from U.S.	0	0	0	0	0	0	0	0	0	(1000 MT)
MY Imp. from EU	24	50	24	18	0	15	0	0	15	(1000 MT)
Total Supply	177	155	177	193	10	157	6	0	165	(1000 MT)
MY Exports	1	0	1	1	0	1	0	0	0	(1000 MT)
MY Exp. to EU	0	0	0	0	0	0	0	0	0	(1000 MT)
Industrial Dom. Cons.	30	25	30	30	0	30	0	0	30	(1000 MT)
Food Use Dom. Cons.	145	120	145	156	0	126	0	0	135	(1000 MT)
Feed Waste Dom. Cons.	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Dom. Cons.	175	145	175	186	0	156	0	0	165	(1000 MT)

Ending Stocks	1	10	1	6	0	0	0	0	0	(1000 MT)
Total Distribution	177	155	177	193	0	157	0	0	165	(1000 MT)

Table 26. Import Trade Matrix, Soybean Oil, 1,000 MT

Import Trade Matrix			
Country	Russian Federation		
Commodity	Oil, Soybean		
Time Period	Sep/Aug	Units:	1,000 MT
Imports for:	2005		2006
U.S.	0	U.S.	0
Others		Others	
Netherlands	17	Netherlands	15
Brazil	15	Korea Rep.	3
Korea Rep.	4		
Germany	3		
Argentina	2		
Total for Others	41		18
Others not Listed	5		7
Grand Total	46		25

Rapeseed Oil

Table 27. PSD, Rapeseed Oil, 1,000 MT

Country	Russian Federation									
Commodity	Oil, Rapeseed						(1000 MT)(PERCENT)			
	2005	Revised		2006	Estimate		2007	Forecast		UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		07/2005	07/2005		07/2006	07/2006		07/2007	07/2007	MM/YYYY
Crush	225	180	225	440	0	435	0	0	465	(1000 MT)
Extr. Rate, 999.9999	0.396	0.361	0.396	0.398	0	0.402	0	0	0.398	(PERCENT)
Beginning Stocks	8	15	8	5	5	5	5	0	5	(1000 MT)
Production	89	65	89	175	0	175	0	0	185	(1000 MT)
MY Imports	1	0	1	0	0	0	0	0	0	(1000 MT)
MY Imp. from U.S.	0	0	0	0	0	0	0	0	0	(1000 MT)
MY Imp. from EU	1	0	1	0	0	0	0	0	0	(1000 MT)
Total Supply	98	80	98	180	5	180	5	0	190	(1000 MT)
MY Exports	9	0	9	65	0	65	0	0	95	(1000 MT)
MY Exp. to EU	9	0	9	0	0	0	0	0	0	(1000 MT)
Industrial Dom. Cons.	20	40	20	20	0	20	0	0	20	(1000 MT)
Food Use Dom. Cons.	64	35	64	90	0	90	0	0	70	(1000 MT)
Feed Waste Dom. Cons.	0	0	0	0	0	0	0	0	0	(1000 MT)

Total Dom. Cons.	84	75	84	110	0	110	0	0	90	(1000 MT)
Ending Stocks	5	5	5	5	0	5	0	0	5	(1000 MT)
Total Distribution	98	80	98	180	0	180	0	0	190	(1000 MT)

Table 28. Export Trade Matrix, Rapeseed Oil, 1,000 MT

Export Trade Matrix			
Country	Russian Federation		
Commodity	Oil, Rapeseed		
Time Period	Jul/Jun	Units:	1,000 MT
Exports for:	2005		2006
U.S.		U.S.	
Others		Others	
Italy	5	Denmark	20
Lithuania	3	Greece	12
Denmark	1	Netherlands	8
		Italy	7
		Germany	7
		Lithuania	6
		Cyprus	1
		Estonia	1
Total for Others	9		62
Others not Listed			3
Grand Total	9		65

Palm Oil

Table 29. PSD, Palm Oil, 1,000 MT

Country	Russian Federation									
Commodity	Oil, Palm						(1000 HA)(1000 TREES)(1000 MT)			
	2005	Revised		2006	Estimate		2007	Forecast		UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		10/2005	10/2005		10/2006	10/2006		10/2007	10/2007	MM/YYYY
Area Planted	0	0	0	0	0	0	0	0	0	(1000 HA)
Area Harvested	0	0	0	0	0	0	0	0	0	(1000 HA)
Trees	0	0	0	0	0	0	0	0	0	(1000 TREES)
Beginning Stocks	40	15	40	50	20	50	55	0	55	(1000 MT)
Production	0	0	0	0	0	0	0	0	0	(1000 MT)
MY Imports	546	400	546	570	0	570	0	0	570	(1000 MT)
MY Imp. from U.S.	0	0	0	0	0	0	0	0	0	(1000 MT)
MY Imp. from EU	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Supply	586	415	586	620	20	620	55	0	625	(1000 MT)
MY Exports	0	0	0	0	0	0	0	0	0	(1000 MT)
MY Exp. to EU	0	0	0	0	0	0	0	0	0	(1000 MT)

Industrial Dom. Cons.	130	135	130	135	0	135	0	0	145	(1000 MT)
Food Use Dom. Cons.	406	260	406	430	0	430	0	0	430	(1000 MT)
Feed Waste Dom. Cons.	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Dom. Cons.	536	395	536	565	0	565	0	0	575	(1000 MT)
Ending Stocks	50	20	50	55	0	55	0	0	50	(1000 MT)
Total Distribution	586	415	586	620	0	620	0	0	625	(1000 MT)

Table 30. Import Trade Matrix, Palm Oil, 1,000 MT

Import Trade Matrix			
Country	Russian Federation		
Commodity	Oil, Palm		
Time Period	Oct/Sep	Units:	1,000 MT
Imports for:	2005		2006
U.S.		U.S.	
Others		Others	
Malaysia	256	Malaysia	250
Indonesia	199	Indonesia	200
Netherlands	61	Netherlands	65
Germany	23		
Total for Others	539		515
Others not Listed	7		55
Grand Total	546		570